

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 2914
INFO AMEMBASSY BELGRADE
AMEMBASSY BUDAPEST
AMEMBASSY BUCHAREST
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE

C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 0692

E.O. 11652: GDS
TAGS: EFIN ETRD PL US IMF COMECON
SUBJ: SENATOR STEVENSON'S DISCUSSIONS WITH POLISH OFFICIALS ON
 POSSIBLE POLISH MEMBERSHIP IN THE INTERNATIONAL MONETARY
 FUND

1. SUMMARY. DURING HIS TALKS WITH TOP POLISH ECONOMIC OFFICIALS JANUARY 17 AND 18, SENATOR ADLAI E. STEVENSON, III, STRONGLY URGED POLISH MEMBERSHIP IN THE INTERNATIONAL MONETARY FUND. HE POINTED OUT THAT MEMBERSHIP WOULD IMPROVE POLAND'S ELIGIBILITY FOR ADDITIONAL US AGRICULTURAL SUPPLY CREDIT AND THAT THERE WOULD BE OTHER ADVANTAGES. ALTHOUGH THE POLISH RESPONSE WAS SIMILAR TO THOSE MADE ON THIS SUBJECT OVER THE PAST YEAR, A VICE MINISTER OF FINANCE SAID THAT POLAND HAS ALREADY PROPOSED THE POSSIBILITY OF ITS JOINING THE IMF TO THE COMECON FINANCE COMMISSION, BUT THAT NO DECISION HAS YET BEEN MADE. THE EMBASSY BELIEVES THAT THE FINAL DECISION WILL BE MADE IN MOSCOW

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BUT THAT THE SOVIETS ARE RELUCTANT TO AGREE UNLESS POLAND'S ECONOMIC PROBLEMS BECOME EVEN WORSE THAN THEY ARE NOW. END SUMMARY.

2. DURING HIS VISIT TO WARSAW LAST WEEK, SENATOR STEVENSON BROUGHT UP THE POSSIBILITY OF POLISH MEMBERSHIP IN THE INTERNATIONAL MONETARY FUND (IMF) IN ALL HIS DISCUSSIONS OF POLISH

ECONOMIC AND FINANCIAL PROBLEMS. THE SENATOR STRESSED THREE DISTINCT ADVANTAGES FOR POLAND IN JOINING THE IMF. THESE WERE THE EVENTUALITY OF ADDITIONAL HARD-CURRENCY CREDITS, THE BENEFITS OF IMF ANALYSIS AND GUIDANCE IN CORRECTING SOME OF POLAND'S PERSISTENT ECONOMIC PROBLEMS AND PUTTING THE COUNTRY ON A MORE RESPONSIBLE FISCAL COURSE, AND THE ADVANTAGES OF IMF MEMBERSHIP IN IMPROVING POLAND'S ELIGIBILITY FOR ADDITIONAL US CREDITS. THE SENATOR SPECIFICALLY POINTED OUT THAT EVEN IF NEW LEGISLATION WERE PASSED BY THE CONGRESS WHICH WOULD MAKE POSSIBLE THE TYPE OF SPECIAL LOW-INTEREST-RATE, LONG-TERM, GRAIN-AND-SOY-BEAN CREDITS WHICH THE POLES REQUESTED LAST FALL, POLAND'S ELIGIBILITY FOR SUCH CREDITS WOULD HAVE TO BE REVIEWED CAREFULLY AGAINST ITS CURRENT INDEBTEDNESS AND OVERALL FINANCIAL PROFILE. IN THIS CASE, MEMBERSHIP IN THE IMF WOULD BE A BIG PLUS.

3. THE RESPONSE OF THE SEVERAL POLISH OFFICIALS WAS GENERALLY SIMILAR. FIRST VICE MINISTER OF FINANCE MARIAN KRZAK PRESENTED THE MOST SPECIFIC COMMENTS WE HAVE YET HEARD ON THIS SUBJECT. MINISTER OF FOREIGN JERZY OLSZEWSKI NOTED THAT POLAND HAD BEEN ONE OF THE CHARTER MEMBERS OF THE IMF, SO THAT JOINING NOW WOULD BE MERELY A MATTER OF RETURNING. SENATOR STEVENSON INTERJECTED THAT THE UNITED STATES, AND UNDOUBTEDLY MOST OF POLAND'S OTHER WESTERN CREDITORS, WOULD BE VERY HAPPY TO HAVE POLAND COME BACK TO THE FUND. IT WOULD MAKE THEM FEEL MUCH MORE COMFORTABLE WITH THEIR LOANS TO THE POLISH GOVERNMENT. OLSZEWSKI THEN MENTIONED

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POLAND'S OBLIGATIONS TO COMECON AND BROUGHT UP A POINT WHICH HAS BEEN MENTIONED SEVERAL TIMES PREVIOUSLY IN OFFICIAL POLISH DISCUSSIONS WITH EMBASSY OFFICIALS, NAMELY, THAT IT MIGHT BE BEST IF OTHER EAST EUROPEAN COUNTRIES AS WELL AS POLAND WERE TO JOIN THE FUND, ALL AT THE SAME TIME. HE MENTIONED HUNGARY IN PARTICULAR AS A POSSIBLE CANDIDATE, ADDING THAT HUNGARY'S NEEDS ARE NOT AS GREAT AS THOSE OF POLAND.

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C O N F I D E N T I A L SECTION 2 OF 2 WARSAW 0692

4. DURING HIS MEETING WITH THE SENATOR ON JANUARY 18, VICE MINISTER KRZAK SAID THAT THE POSSIBILITY OF JOINING THE FUND HAD BEEN DISCUSSED AT MANY DIFFERENT LEVELS IN THE POLISH GOVERNMENT. "MANY OF US SHARE YOUR IDEAS." HOWEVER, HE WENT ON, THERE ARE OTHER CONSIDERATIONS. POLAND IS A MEMBER OF COMECON, AND HE, KRZAK, AND OTHER HIGH OFFICIALS IN THE FINANCE MINISTRY ATTEND MEETINGS OF THE COMECON PERMANENT COMMISSION ON CURRENCY AND FINANCE FOUR TIMES A YEAR. THE IMPACT OF POLISH MEMBERSHIP IN THE IMF ON POLAND'S RELATIONS WITH THE OTHER MEMBERS OF COMECON MUST BE CONSIDERED. THERE IS ALSO THE PROBLEM OF WHAT EFFECT POLISH MEMBERSHIP WOULD HAVE ON THE USE OF THE TRANSFERABLE RUBLE AND COMECON PLANS FOR DEVELOPING SOME FORM OF LIMITED CONVERTIBILITY FOR IT.

5. KRZAK THEN SAID THAT THE ISSUE OF POSSIBLE POLISH MEMBERSHIP IN THE FUND HAS, IN FACT, ALREADY BEEN RAISED IN COMECON. THE SUBJECT IS NOW BEING DISCUSSED BY MEMBERS OF THE CURRENCY AND FINANCE COMMISSION. SO FAR, "THEY DO NOT SAY NO, BUT THEY ALSO CONFIDENTIAL

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DO NOT SAY YES". WE STILL DO NOT KNOW THE OUTCOME. IT IS A MATTER OF TIME."

6. COMMENT. KRZAK'S COMMENTS INDICATE THAT WARSAW HAS PROBABLY PROPOSED MEMBERSHIP IN THE IMF TO COMECON (READ "TO THE SOVIET GOVERNMENT") WITHIN THE PAST SEVERAL MONTHS. WE HAVE NO WAY OF KNOWING WHETHER ANY FORMAL REQUEST HAS BEEN MADE OR WHETHER THE IDEA HAS MERELY BEEN LAUNCHED TO GET SOME IDEA OF "FRATERNAL-SOCIALIST" REACTION. IN ANY EVENT, WE BELIEVE ALL DISCUSSIONS IN THE CURRENCY AND FINANCE COMMISSION AND ANYWHERE ELSE IN THE LABYRINTHS OF THE COMECON BUREAUCRACY ARE MERELY WINDOW DRESSING. THE REAL DECISION WILL BE MADE IN THE KREMLIN. THE APPARENT LACK OF A DECISION PROBABLY MEANS THE SOVIETS ARE STILL CONSIDERING THE MATTER AND TAKING INTO ACCOUNT THE MUL-

TITUDE OF POLITICAL AND ECONOMIC ISSUES WHICH COMPRISE THEIR
COMPLEX RELATIONSHIP WITH EASTERN EUROPE.

7. ON BALANCE, WE BELIEVE THE SOVIETS WOULD PREFER NOT TO HAVE
POLAND IN THE IMF, A MOVE WHICH THEY WOULD REGARD AS A FURTHER
EROSION OF THEIR ECONOMIC CONTROL OVER EASTERN EUROPE. THE FACT
THAT ROMANIA IS ALREADY A MEMBER (HAVING JOINTED, WE ARE QUITE
SURE, AFTER VERY LITTLE CONSULTATION WITH EITHER COMECON OR
MOSCOW) MERELY EXACERBATES THE SITUATION. HENCE, WE SPECULATE
THAT THE SOVIETS WILL STALL ON THIS MATTER, HOPING THE POLES
WILL SQUEEZE THROUGH WITH CONTINUED WESTERN CREDITS AND SOME
IMPROVEMENT IN AGRICULTURAL OUTPUT. IF THE ECONOMIC SITUATION
BECOMES STEADILY WORSE, THEY MAY GIVE THEIR RELUCTANT APPROVAL.
END COMMENT.
DAVIES

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